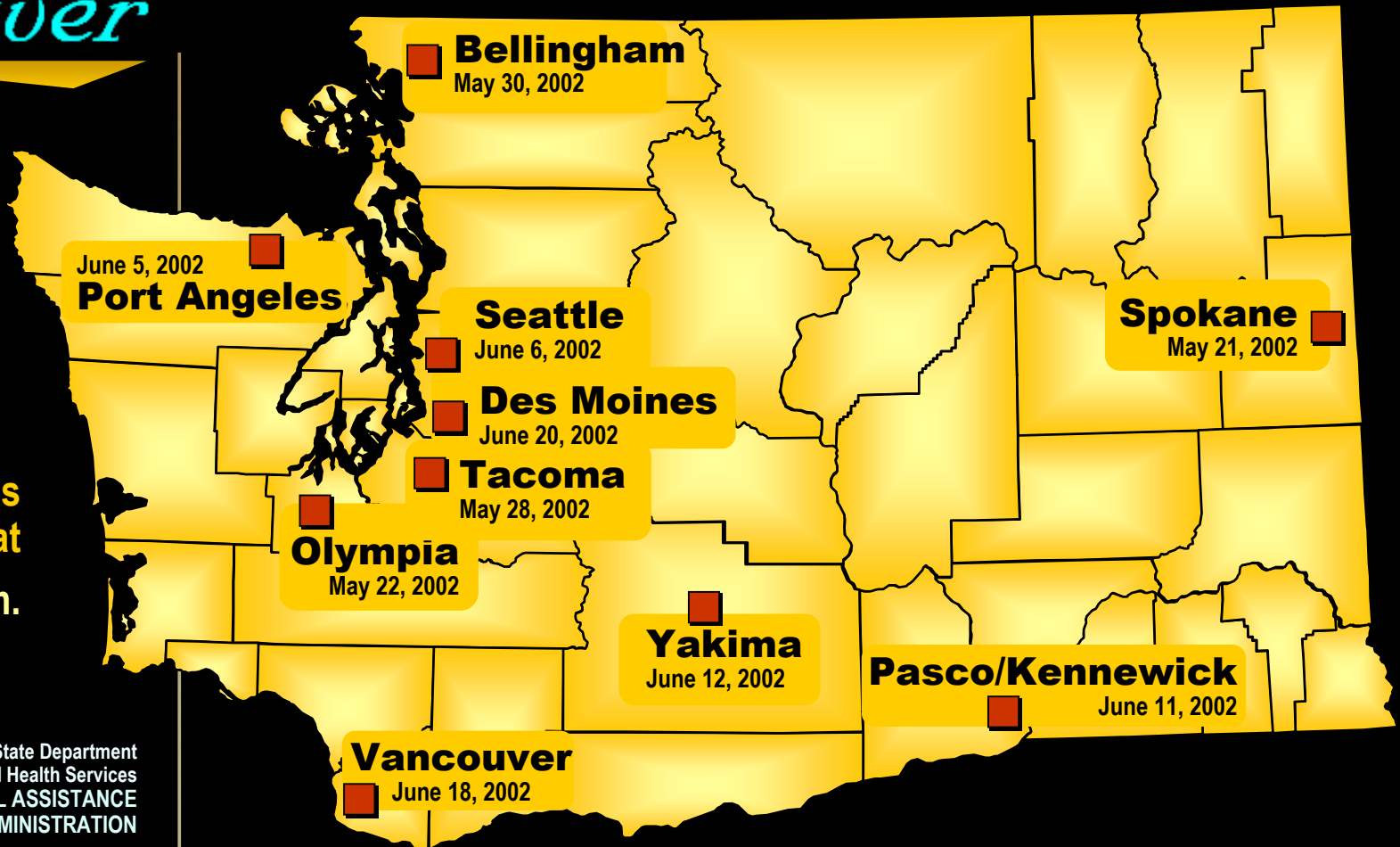


The **Medicaid**
Reform & **SCHIP**
Waiver

The Waiver: What, Why, When



All sessions
begin at
6:00 p.m.

Washington State Department
of Social and Health Services
MEDICAL ASSISTANCE
ADMINISTRATION

Doug Porter, Assistant Secretary

MAY 2002

Meeting locations and an opportunity to provide input provided at:
<http://maa.dshs.wa.gov/medwaiver>

Tonight's Agenda

The state financial situation

Overview of the Waiver

We need input from you on . . .

- ▶ Sharing costs through premiums
- ▶ Changing behavior with co-pays
- ▶ Who should be covered under the waiver?

PART 1

We're Painfully Aware of the 2001 Recession

**“But it’s over now, so
we’re back to business as
usual . . . right?”**

WRONG!

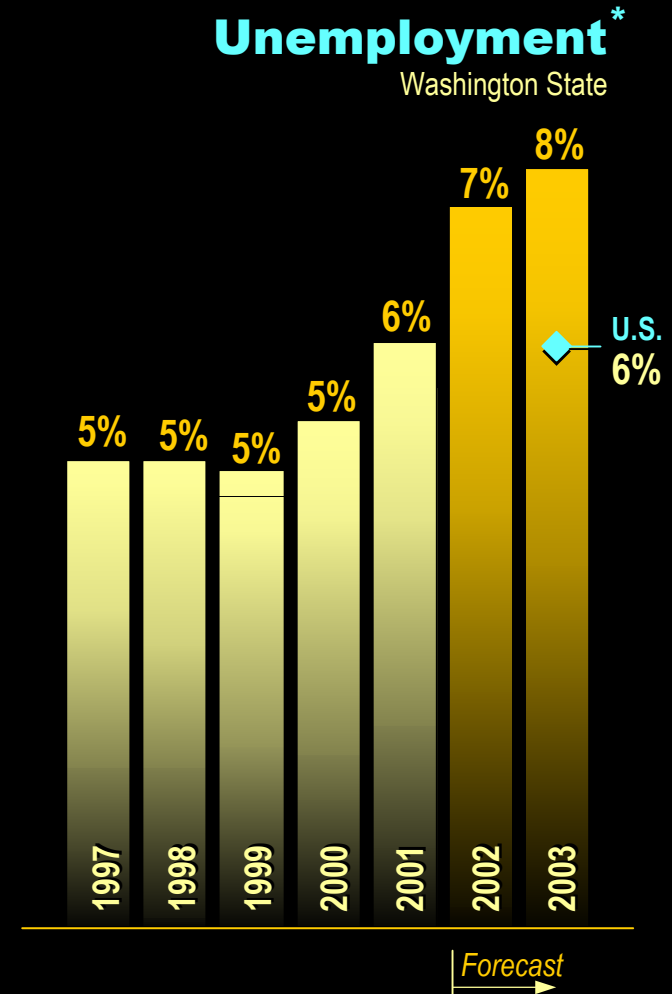
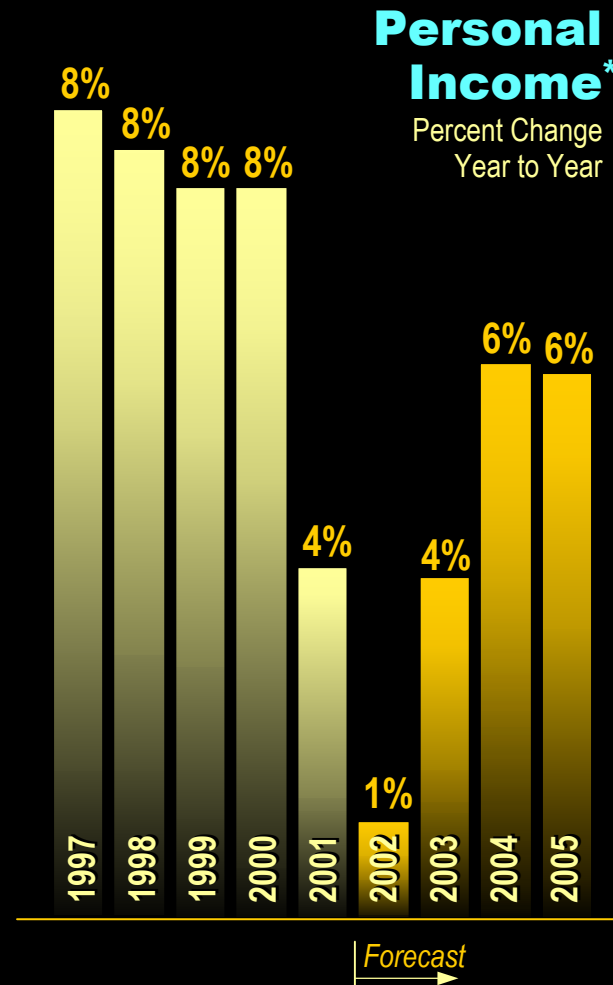


PART 1

State Economic Indicators

February 2002 Forecast

Income Down, Unemployment Up



*Tax Base Adjusted – 1978 tax base, assumes food expenditures in tax base, excludes telephone services.

SOURCE: Office of the Forecast Council, February 2002 data.

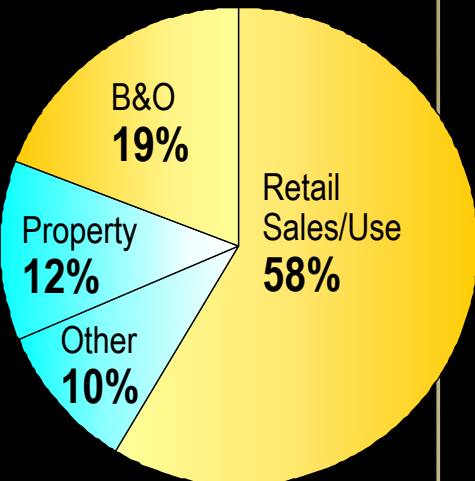
PART 1

Major Revenue Sources

February 2002 Forecast

Tax Base Adjusted
1978 tax base, assumes food
expenditures in tax base,
excludes telephone services

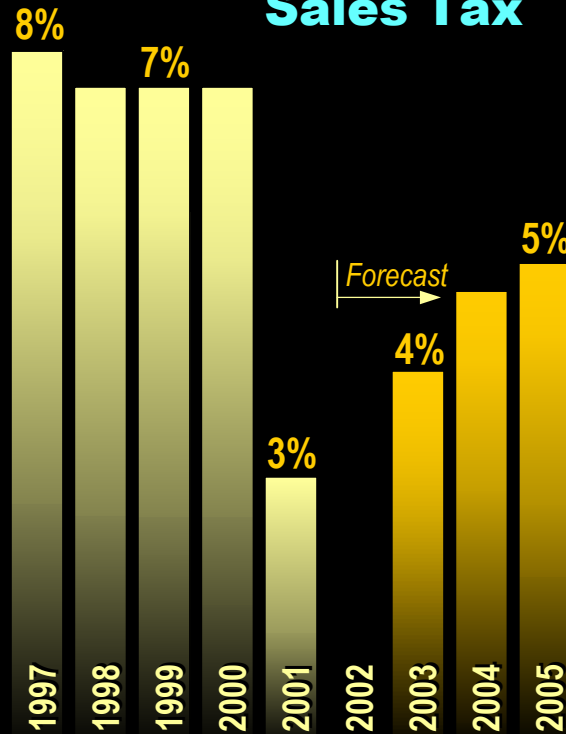
2001-03 Biennium



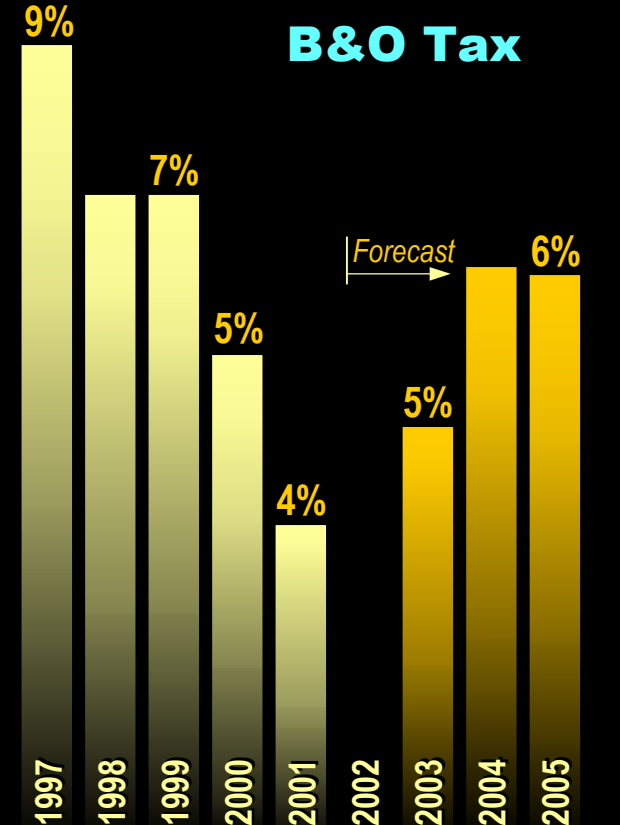
GF-S Cash Collections
\$19.0 Billion (1996 Chained Dollars)

Percent Change in Collections From Previous Year

State Sales Tax



B&O Tax



SOURCE: Office of the Forecast Council, Revenue Review Meeting (Handout), February 19, 2002, p 36.

MAY 2002

GF-State Spending and Revenues

PART 1

The State Budget Outlook

Ending Balances

At Biennium End

\$308 Million

2001-03

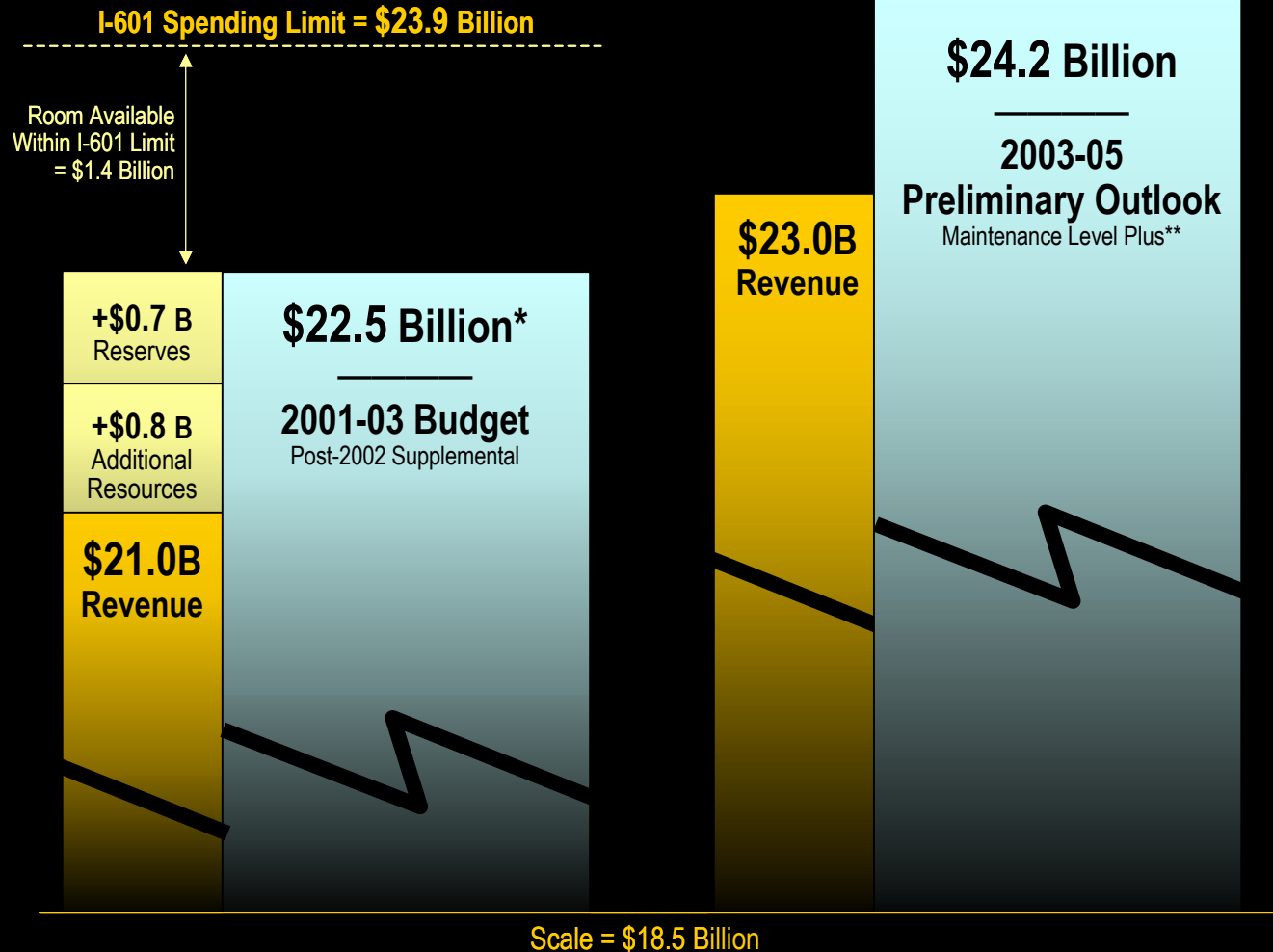
2003-05

– \$957 Million

Financial Management,
Budget Sheet and 2003-05
Budget Outlook, April 2002.

2001-03

2003-05



* Original 2001-03 biennial appropriation = \$22.8 billion.

** OFM assumes a COLA increase for ALL state employees in 2003-05 and continued "higher-than-I-601" inflation in health care (12 percent) in the next biennium.

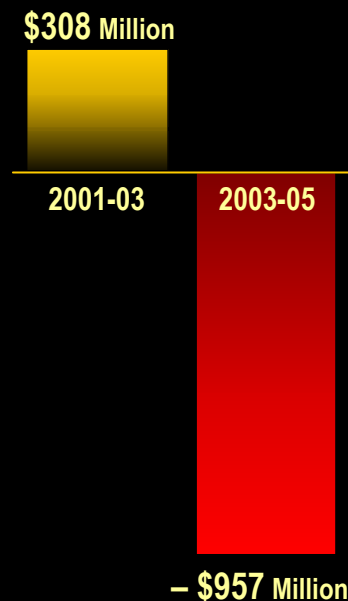
GF-State Spending and Revenues

PART 1

The State Budget Outlook

Ending Balances

At Biennium End



Drivers

Health Care Costs

- ▶ Double-digit inflation
- ▶ Accounted for 45 percent of the growth in the 2001-03 budget

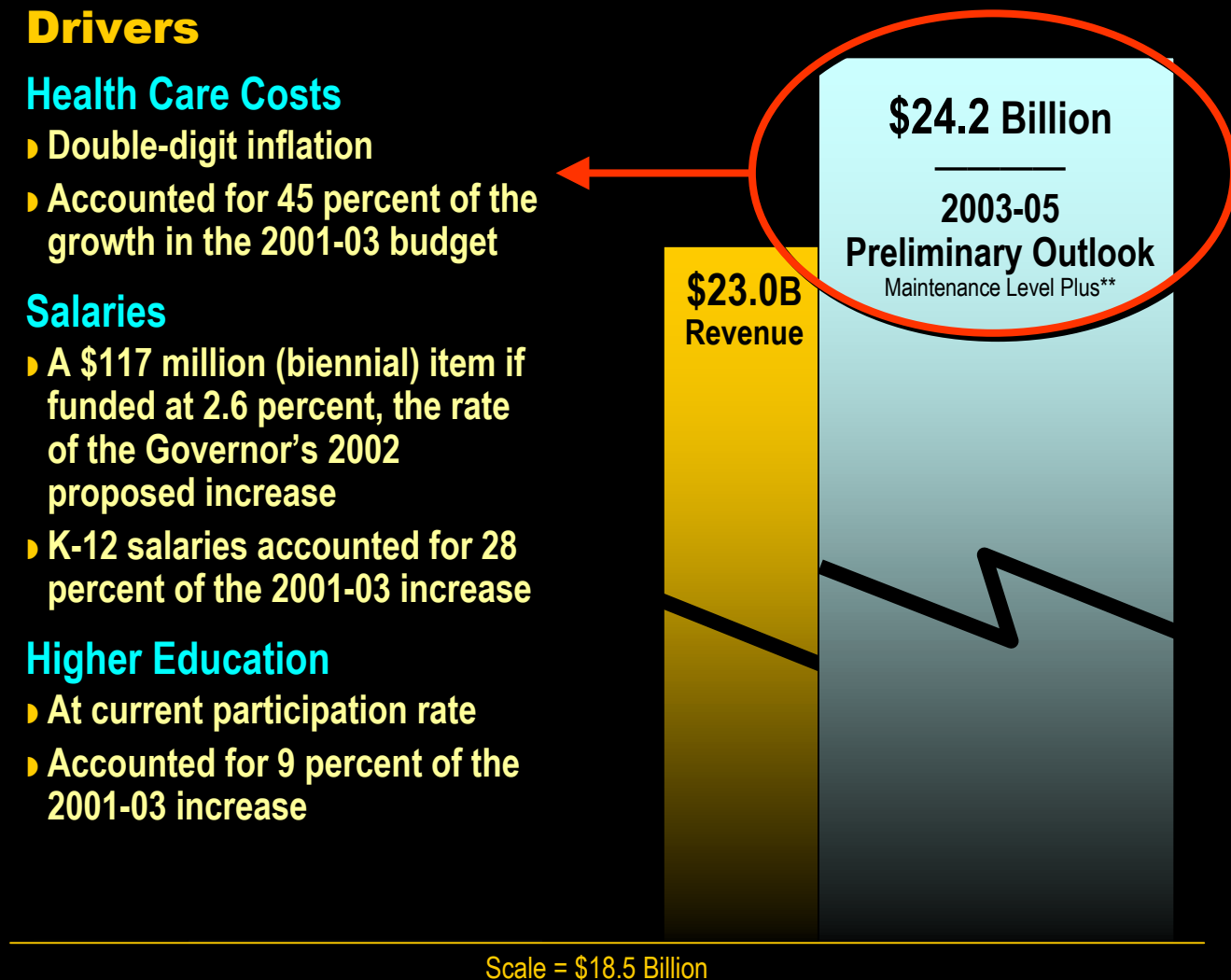
Salaries

- ▶ A \$117 million (biennial) item if funded at 2.6 percent, the rate of the Governor's 2002 proposed increase
- ▶ K-12 salaries accounted for 28 percent of the 2001-03 increase

Higher Education

- ▶ At current participation rate
- ▶ Accounted for 9 percent of the 2001-03 increase

2003-05



SOURCES: Office of Financial Management,
March 2002 Balance Sheet and 2003-05
Preliminary Outlook, April 2002.

* Original 2001-03 biennial appropriation = \$22.8 billion.

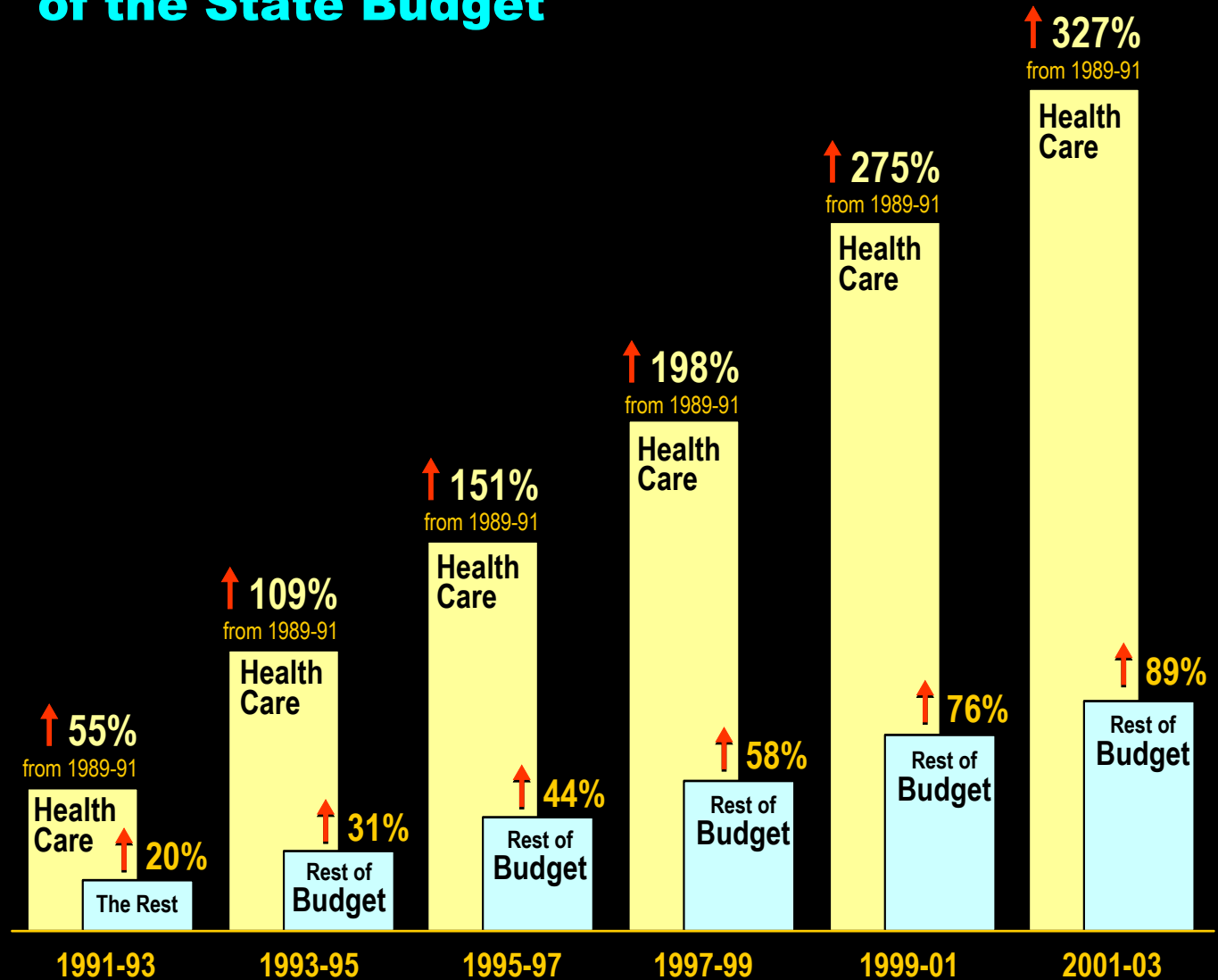
** OFM assumes a COLA increase for ALL state employees in 2003-05 and continued "higher-than-I-601" inflation in health care (12 percent) in the next-biennium.

PART 1

The Rising Cost of Medical

Percent Change
from 1989-91
ALL FUNDS
Excludes ProShare

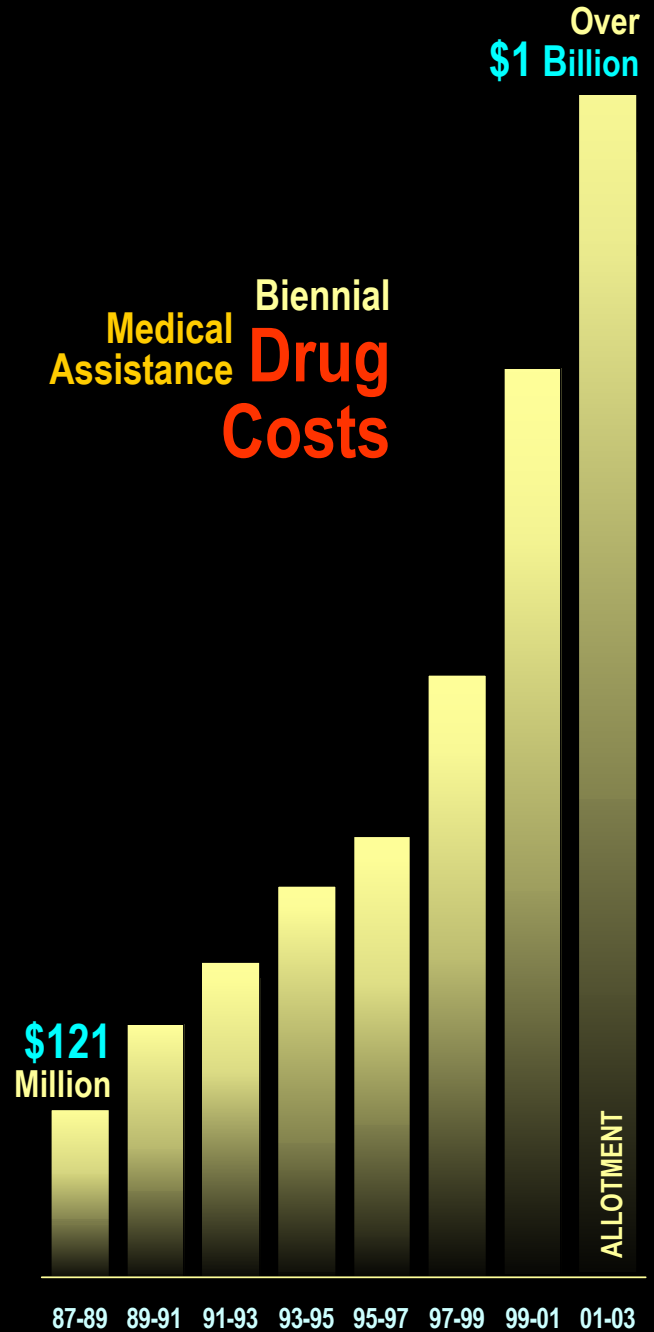
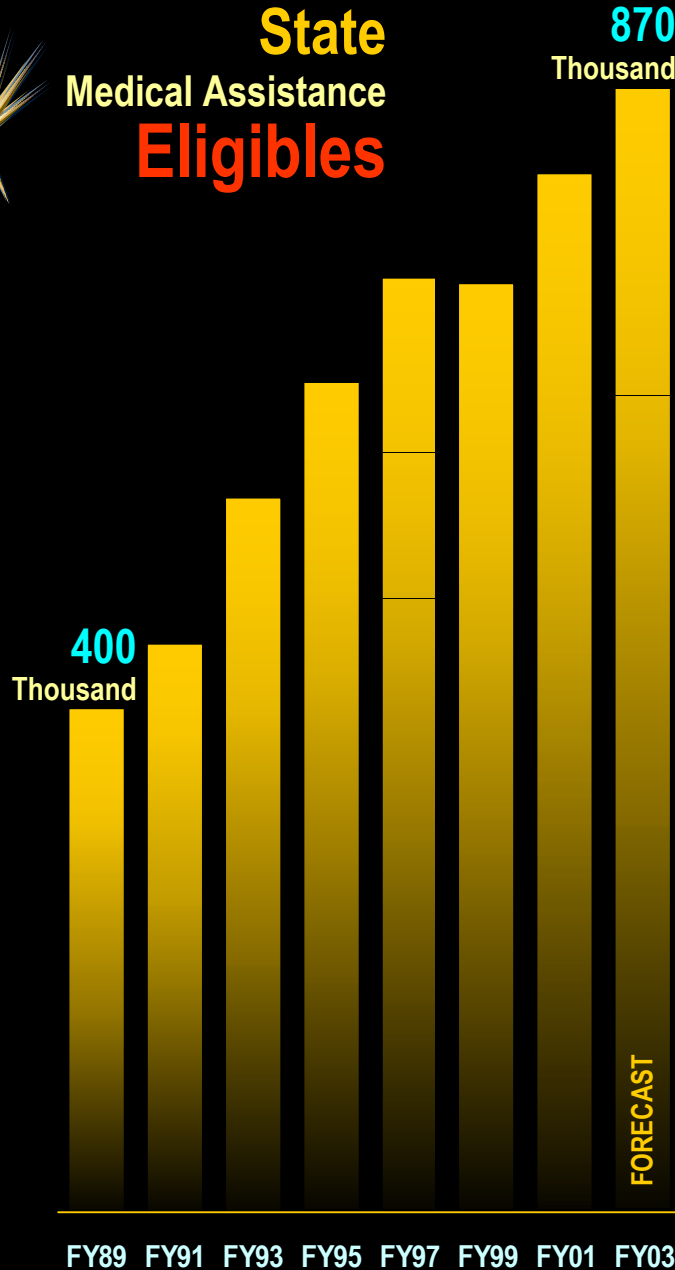
Increasing Faster than Other Areas of the State Budget



SOURCE: Legislative Evaluation and Program Committee (LEAP), ProShare calculation from DSHS Budget Division. Medical costs include the Washington State Health Care Authority and DSHS Medical Assistance payments.

PART 1

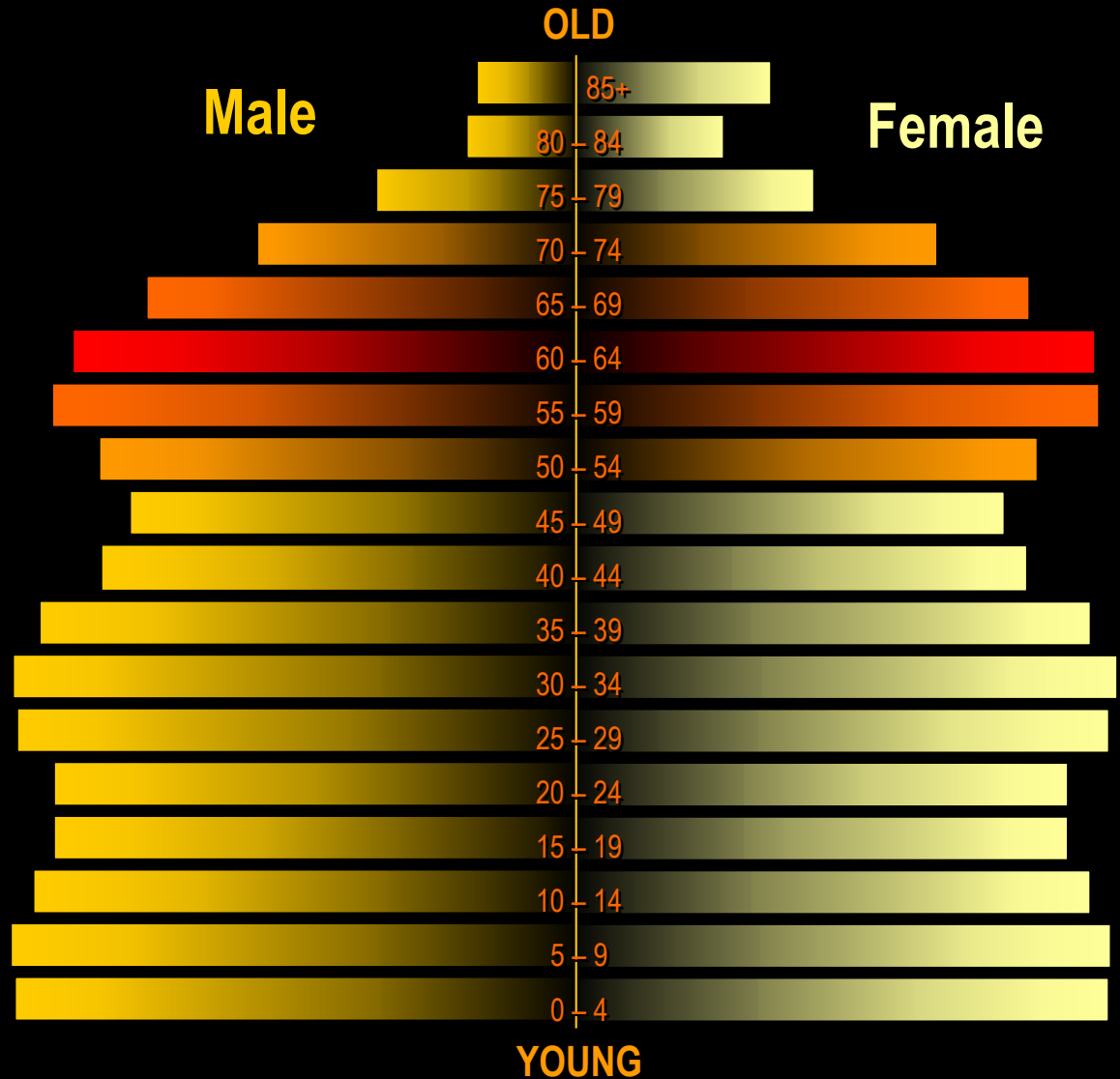
**Enrollment
Drove Our
Budget
– Now It's
Costs**



PART 1

**There's
More of Us
and We're
Older**

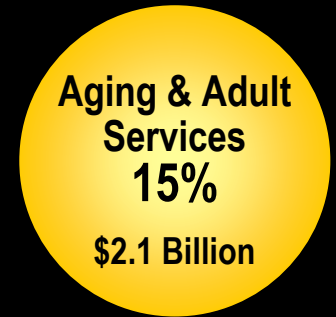
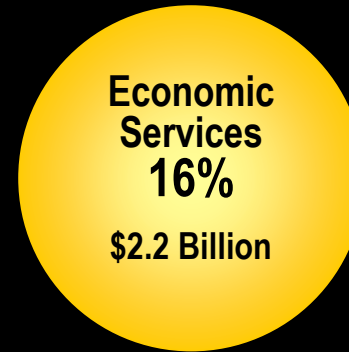
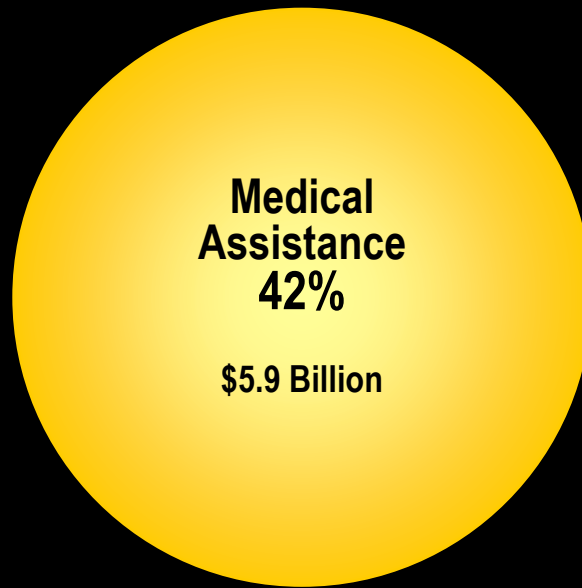
Washington State **Population Increase** **2020**



PART 1

The DSHS Budget Universe

2001-03 Biennium
DSHS = \$14.2 Billion
 (All Funds)



Alcohol & Substance Abuse

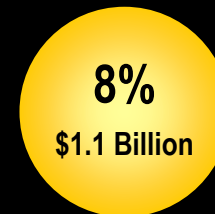


\$0.2 Billion

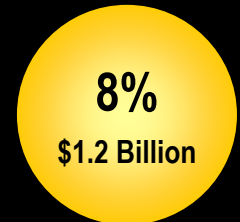
Children's Administration



Mental Health



Developmental Disabilities



Juvenile Rehabilitation



\$0.2 Billion

Payments to Other Agencies



\$0.1 Billion

Vocational Rehabilitation



\$0.1 Billion

Central Administration

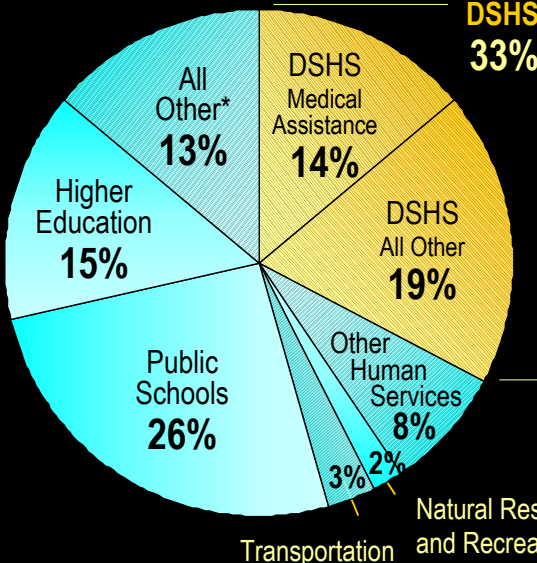


\$0.1 Billion

DSHS
33%

The State Budget

\$43.5 Billion (All Funds)

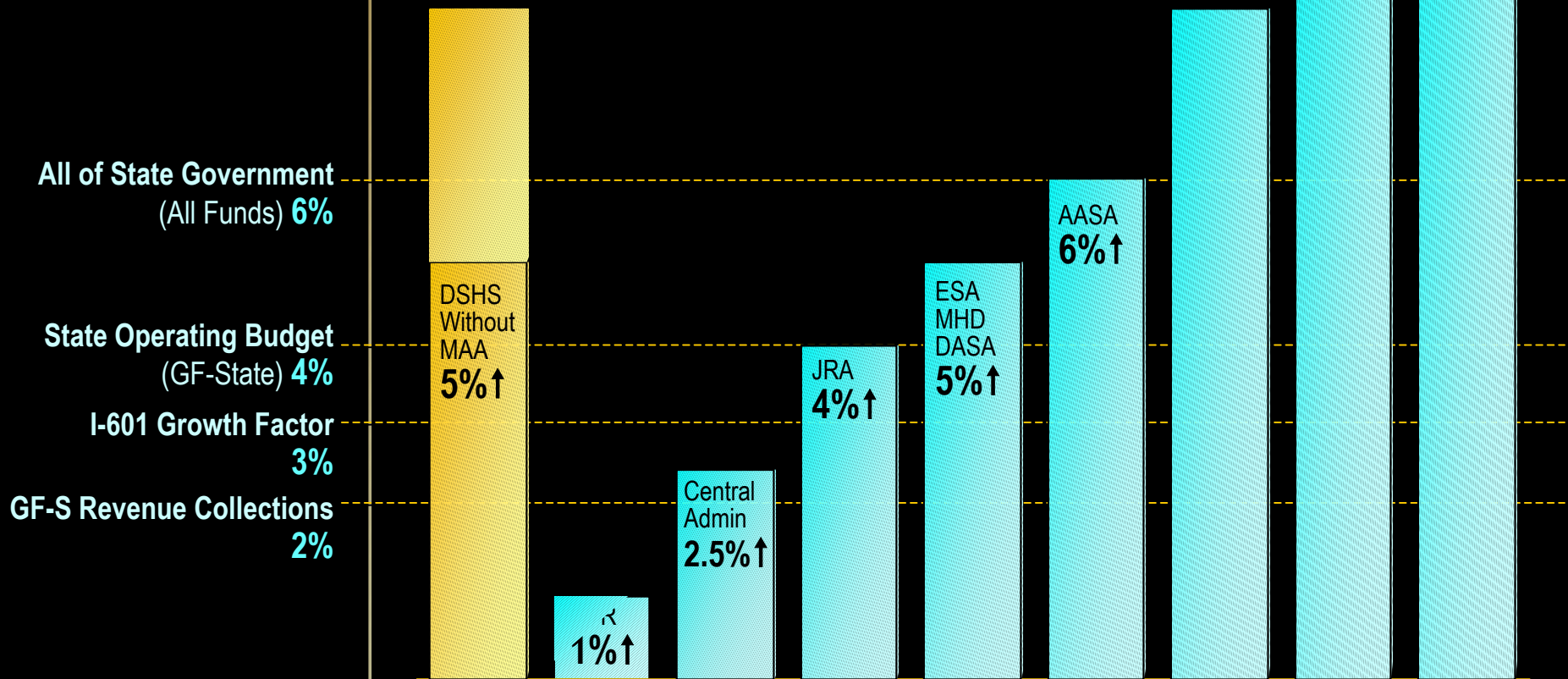


PART 2

DSHS Program Growth

Growth Comparisons

Annualized Average Rate of Growth Over the Last Four Years (All Funds), 1997-99 to 2001-03 Biennia Before 2002 Supplemental



PART 1

Recent Efforts to Contain Costs

The Waiver is one of many efforts

Utilization and Cost Containment Initiative

- ▶ **Prescription Drug Costs** – A therapeutic consultation service program beginning February 1, 2002 to reduce Medicaid drug costs by triggering a review when a Medicaid client receives a fifth brand name prescription in a month, and – in consultation with prescribers – proposing equivalent but less expensive generic or preferred brand name drugs
- ▶ **Coordination of Benefits** – Employers and Insurers who should be involved in paying for medical expenses of Medicaid clients are being located and worked with by MAA
- ▶ **Provider Audits** – Medical and dental care provider claims are being reviewed and providers are being audited more frequently and thoroughly to identify any prevent overpayments
- ▶ **Rates Development** – Vendor rates are being adjusted when the agency finds Medicaid rates are above local or national industry norms
- ▶ **Quality Review** – Claims (billings sent to the Medicaid program), medical charts and provider records are being reviewed for non-standard utilization of Medicaid services
- ▶ **Family Planning** – In the "Take Charge" demonstration project, services are provided to help low income families avoid unintended pregnancies
- ▶ **Transportation and Interpreter Services** – Use is being reviewed and broker contracts amended to lower the average cost per service
- ▶ **Durable Medical Equipment and Supplies** – Requests are being analyzed for compliance with utilization and pricing standards as well as for potential lower cost substitutes

PART 1

More Efforts to Contain Costs

**The
Waiver
is one of
many
efforts**

Increased Client Participation

- ▶ Monthly premium during the second six months of transitional coverage for Temporary Assistance for Needy Families (TANF) and other welfare-reform clients – expected to be about \$15 per month
- ▶ Co-payments for non-emergency services provided in hospital emergency rooms, except for children, pregnant women, Healthy Options recipients, persons in institutions (such as a nursing home), and American Indians/Alaska Natives – \$3 per visit

And Others

- ▶ Healthy Options procurement strategies to ensure the rates are within level appropriated, and to stabilize plan participation and provider networks for clients
- ▶ Disease management programs for selected conditions, like cardiovascular, diabetes, asthma, renal, and cancer
- ▶ Medicaid Integration Projects among Medical Assistance, Aging and Adult Services, and Health and Rehabilitative Services to help reduce cost of high utilitizers of DSHS services
- ▶ Reductions in drug ingredient costs through payment reductions, use of preferred drugs, and generic drug pricing
- ▶ Joint HCA and Medical Assistance Administration prescription drug program initiative
- ▶ Reduction in outpatient hospital payments
- ▶ Administrative streamlining initiatives

PART 2

The Waiver in a Nutshell

- Changes to benefit package for adults
- Co-pays to steer clients to less expensive drugs
- Cost sharing to help state afford coverage
- Enrollment freeze to protect clients

**8-year-old Medicaid
patient draws his
hemophilia medication**

COST OF MEDICATION = \$2,000 per week



PART 2

**The
Benefit
Package**

Q: How will benefits change?

Now

- ▶ Children receive full-scope Medicaid coverage, including EPSDT
- ▶ Adults in mandatory eligibility groups receive full-scope “Categorically Needy” medical coverage
- ▶ Adults in optional eligibility groups receive full-scope CN medical coverage or more limited “Medically Needy” coverage

Under Waiver


- ▶ Children would continue to receive full-scope Medicaid coverage, including EPSDT
- ▶ Adults in Mandatory eligibility groups would continue to receive full-scope “Categorically Needy” medical coverage as before
- ▶ Adults in optional programs receive benefits more in line with Basic Health program coverage, but would include outpatient therapies

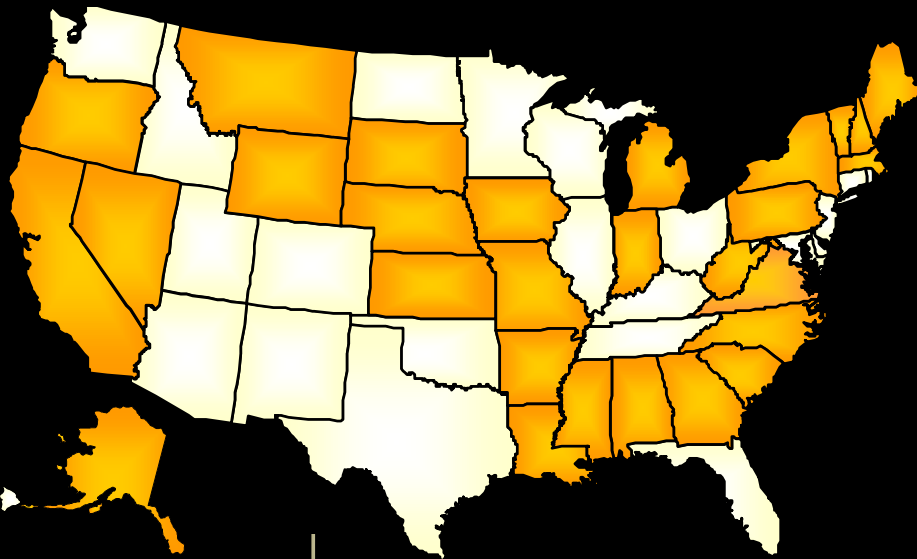
NOTE: Family planning coverage and long-term care services would not be affected by the Waiver

Q: How would co-payments be applied to create incentives to use appropriate services?

PART 2

Adding Co-pays

 States with known Medicaid co-pays for prescription drugs



Now

- ▶ There are no co-pays for brand-name drugs, even when generic or therapeutic, cost effective alternatives exist
- ▶ To extent permitted, clients will pay a \$3 co-pay for non-emergent use of a hospital emergency room

Under Waiver

- ▶ All clients that insist on not using lower-cost alternatives would have a co-pay
 - Co-payment for brand-name drugs (about \$5) when a generic or therapeutic equivalent is available (*clients would not have to pay co-payment if medically necessary*)
 - Co-payment for non-emergent use of a hospital emergency room (about \$10)

NOTE: The state is working to protect American Indians and Alaska Natives from co-pays and has asked for an exemption for these groups because of existing agreements between the state and Tribes

NOTE: Persons receiving SCHIP, Transitional Medical, "Ticket to Work" (health care for workers with disabilities) will begin paying a \$3 co-pay for emergency room visits on June 1, 2002

PART 2

Sharing the Cost

**SCHIP = State
Children's Health
Insurance Program**

Q: What about monthly premiums?

Now

- ▶ All “Categorically Needy” individuals receive the same level of benefits, regardless of income level
- ▶ For most Medicaid clients, coverage is free
 - Families leaving TANF will pay a premium for their Transitional Medical Assistance coverage
 - Working disabled are required to pay a premium and enrollment fee to buy-in to Medicaid
 - SCHIP children's families pay premiums for a child's coverage
- ▶ All individuals, regardless of income, are required to pay premiums and co-payments for Basic Health program coverage

Under Waiver

- ▶ People in optional Medicaid coverage with incomes above the poverty level would pay a small premium for Medicaid coverage
 - The schedule would be based on family income
 - Premiums could be paid monthly, quarterly, or annually
 - Total cost-sharing (co-pays and premiums) would not exceed 5 percent of family income, on average

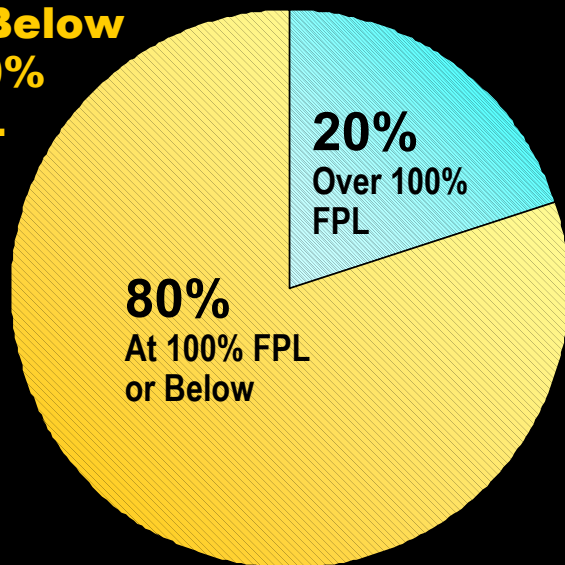
NOTE: This is the same as already permitted under SCHIP

Most Recipients Will See Little or No Change

PART 2

Client Impact

Recipients at or Below 100% FPL



Based on gross income. Excludes Family Planning, Breast and Cervical Cancer programs and health care for workers with disabilities.

Income Level

Over
100%
Federal Poverty Level

100%
Federal Poverty Level

FPL for family of 4
= \$17,650

CONTRIBUTION:

- Small premium for medical coverage

PLUS CO-PAYS:

- About \$5 for brand-name drugs when there is a generic equivalent
- About \$10 for non-emergent emergency room visits

CO-PAYS ONLY:

- About \$5 for brand-name drugs when there is a generic equivalent
- About \$10 for non-emergent emergency room visits

PART 2

The Funding Proposal

Q: What if we don't have enough money to do what we need to do?

Now

- ▶ Entire optional services may have to be eliminated, like:
 - Dental care
 - Outpatient therapies
 - Medical equipment
 - Vision and hearing care
- ▶ The scope of benefits may have to be reduced, like
 - Limitations on hospital stays
 - Prescription drugs
 - Therapies
- ▶ Entire groups, now optional for state coverage, may have to be eliminated, like:
 - Medically indigent
 - Medically needy elderly, disabled
 - GA-U medical coverage for those with higher incomes
- ▶ Payments to providers may have to be reduced

Under Waiver

- ▶ Enrollments could be frozen to protect existing clients

AND

- ▶ Waiting lists could be created until existing revenue covers the state's actual caseload

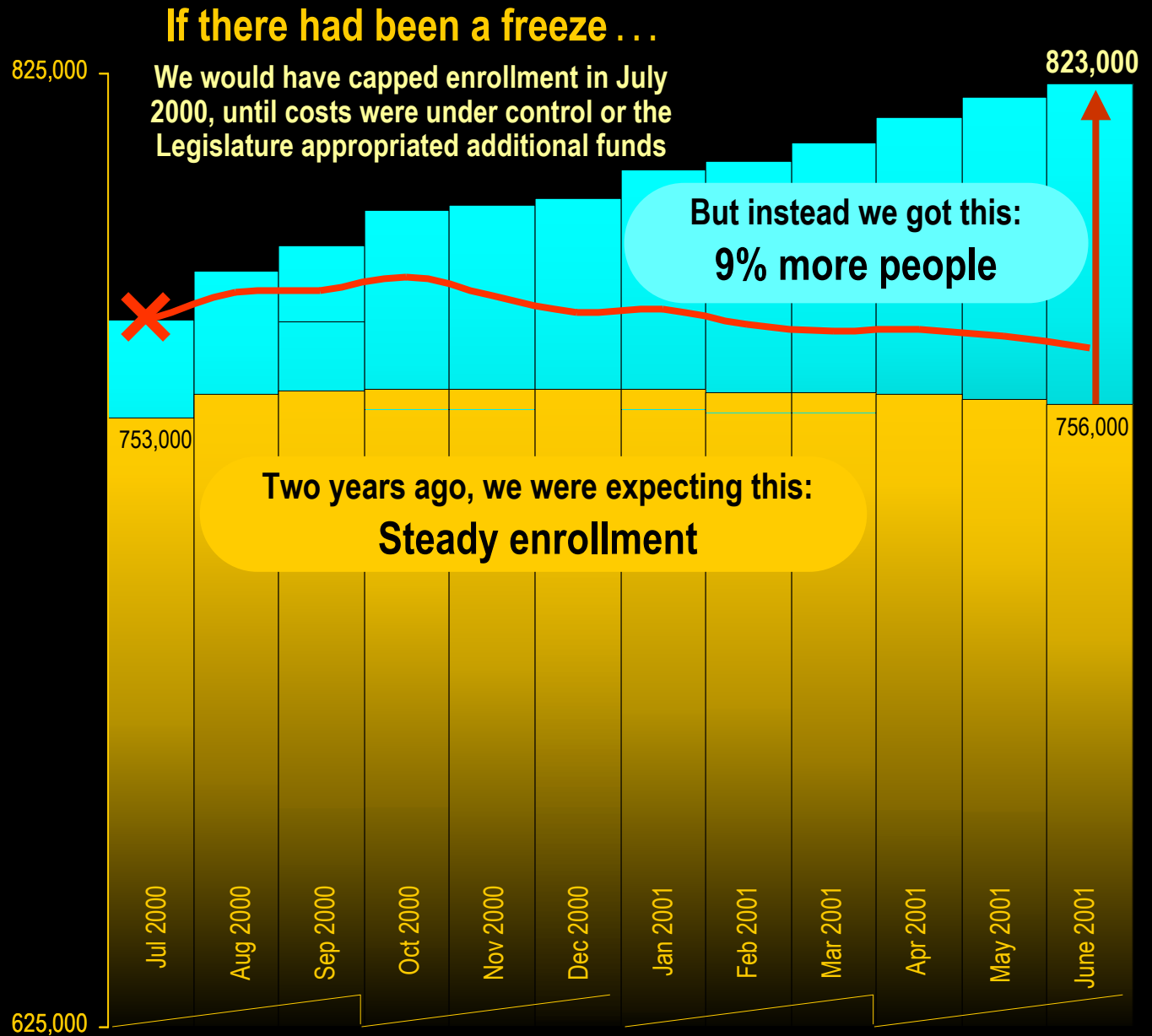
Result . . .

Those currently receiving benefits could count on continued coverage – no gaps in service

NOTE: Mandatory eligible groups would not be subject to an enrollment freeze and would continue to get services

PART 2

The Freeze in Practice



PART 2

Q: What if state could fully use its federal funding under Title XXI?

Now

- ▶ The state must return all unspent SCHIP funds to the federal government at the end of the funding cycle
- ▶ For example, the state will return \$95 million this September that – under the Waiver – could have been used to fund health care

Under Waiver

- ▶ The state is able to keep unused SCHIP funds and use the money to fund health care for about 20,000 more adults
 - For Basic Health parents with Medicaid children and other adults without children
- ▶ Current SCHIP clients would be protected and eligibility levels would not change

SCHIP = State
Children's Health
Insurance Program

PART 3

Where do we go from here?

- ▶ **Stakeholder outreach**
 - ▶ **Town meetings**
 - ▶ **Reforms**



PART 3

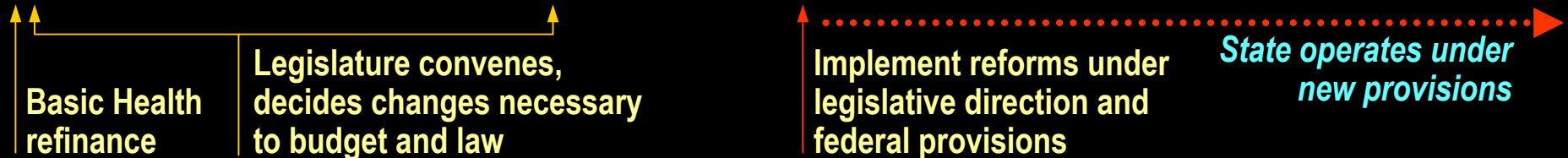
Timeline for Reform

The Medicaid and SCHIP Reform Waiver

2002



2003



PART 3

Send Us Your Input

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Medicaid & SCHIP Reform Waiver Information

Thank you for your feedback

Welcome to the Medical Assistance Administration's Medicaid & SCHIP Reform Waiver web site. This site was developed to provide interested parties current and timely information about Medicaid Reform, which is being proposed as a way to give Washington State more flexibility as it manages its Medicaid and SCHIP programs.

Many Washington residents and MAA stakeholders took the time to comment on these proposals over the past few months. Their comments were weighed carefully, and everyone who contacted MAA will receive a response. Your help in this process is appreciated.

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Please send us your questions, comments, or concerns.

Contact Information

Name:

Email Address: *(required for email contact)*

Phone Number: *(required for phone contact)*

Comments

[http://maa.dshs.wa.gov/
medwaiver](http://maa.dshs.wa.gov/medwaiver)

PART 3
**We Need
Your Input**

Premiums

- ▶ Would you share the cost of your coverage?
- ▶ Would you prefer a single premium or two-tier (sliding) scale?
- ▶ What is the maximum that should be set per family?

Co-payments

- ▶ Is a co-pay reasonable for those who insist on brand-name drugs when there is a therapeutic or generic equivalent?
- ▶ What level of co-pay would result in a change in behavior?

Those affected

- ▶ Who should be covered under the Waiver?

Optional Children (CN)

Optional Aged (CN)

Optional Blind/Disabled (CN)

Optional Medicaid Buy-in (CN)

Optional Breast and Cervical Cancer (CN)

Optional Aged, Blind, Disabled (MN)

PART 3

Send Us Your Input

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